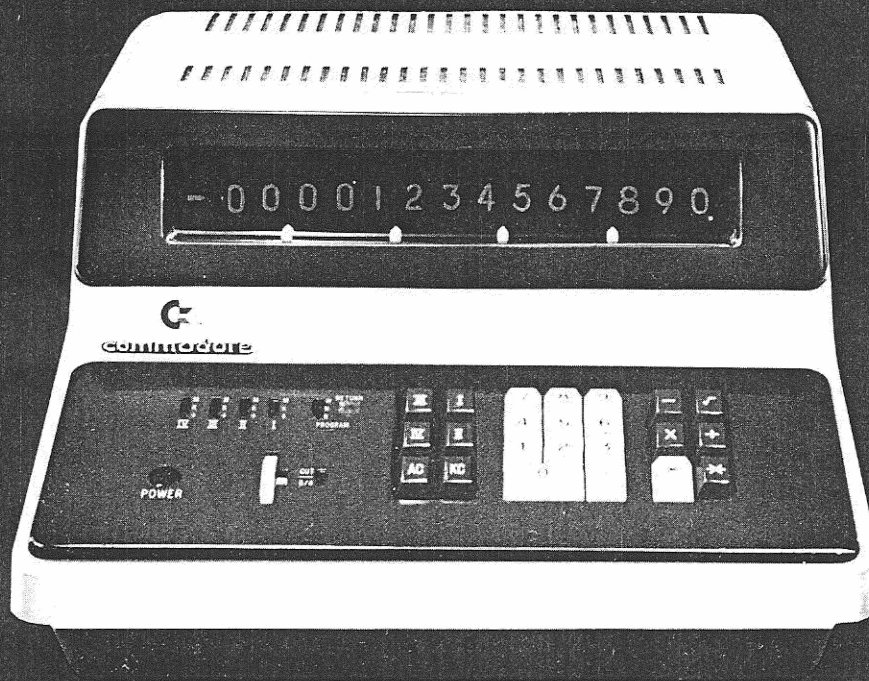


commodore



COMMODORE BUSINESS MACHINES (CANADA) LIMITED

Directors IRVING GOULD — Toronto
JACK TRAMIEL — Toronto
MANFRED KAPP — Toronto
THOMAS McGOURTY — Norfolk, Conn.
DAVID PERLMUTTER, C.A. — Toronto

Officers IRVING GOULD
Chairman of the Board
JACK TRAMIEL
President
MANFRED KAPP
Vice-President and Secretary-Treasurer
THOMAS McGOURTY
Vice-President, Manufacturing

Head Office 946 Warden Avenue, Scarborough, Ontario.

Divisions Commodore Business Machines Company, Scarborough, Ontario
Belpree Co., Limited, Scarborough, Ontario
Associated Tool & Manufacturing Ltd., Downsview, Ontario
Pearlsound Distributors Limited, Scarborough, Ontario
Commodore Business Machines Inc., Freeport, N.Y.
Commodore International Limited, Nassau, Bahamas
Commodore S.A., Geneva, Switzerland

**Transfer Agent
and Registrar** Eastern & Chartered Trust Co.
Toronto and Montreal

Auditors Rose & Harrison, Chartered Accountants — Toronto

Counsel Solomon, Singer & Solway — Toronto

Listing Canadian Stock Exchange — Montreal

The President's Message

To the Shareholders:

Notwithstanding the lower volume of business in the fiscal year ended June 30th, 1967, which did result in a loss on operations, progress was made in accordance with the Company's long range program for growth and profit.

This past fiscal year was a transition year, a year in which your Company discontinued its main manufacturing program in Germany, and established a new one in Japan. In order to accomplish this and to maintain our organization, pending the development and delivery of the new equipment, a substantial amount of expenses had to be incurred to bring about the desired results. I am now pleased to report that this difficult phase of our program has been successfully completed.

As a result, we have introduced our new COMMODORE model 201 and 202 adding machines, whose acceptance in North America has been equal to our expectations. These machines have been developed in association with a company whose high technological skills have enabled them, with the help of our own engineers, to produce quality machines at competitive prices.

Our research and development division has further completed two models of adding machines with automatic multiplication. Production prototypes of these machines were recently introduced at two trade conventions in the United States. The basic simplicity, complete features and price of both models, found ready acceptance with the hundreds of dealers who attended these conventions. Delivery of the first model, our standard multiplier model 401, will commence in January 1968. In addition to these machines, our engineers are now working on further refinements on the existing models and also on new products which will complete our line of mechanical calculating machines in the coming year.

Another significant development during this year was the purchase by your Company of all the rights, tools and designs for the "Barrett" adding machine. Though this machine has not been manufactured for some years, "Barrett" was one of the pioneers of the adding machine industry in North America, and the name is well known and respected throughout the world. The basic design of this machine provides distinct possibilities for our mechanical calculator program, and we are convinced that our research and development division will develop this basic concept into a very unique product. We anticipate pre-production prototypes to be completed by early Spring 1968.

As a further step toward the fulfilment of our long-range goals, COMMODORE is in the midst of entering the sophisticated and rapidly expanding field of electronic calculators. This is a very significant step for a young and small company such as ours. However, it is a very natural step, due to the ever increasing demand by businesses, both small and large, for more efficient and advanced methods of calculation. Two models of electronic calculators will be introduced in January 1968, when our staff

will have completed a training program designed to help them meet the more exacting requirements of this new field.

Over the past few months, we have been steadily regaining our export market with our new model electric adding machine. Agencies and distributors in some forty countries throughout the world have been established, or are in the process of being established. In connection with this export market, two new subsidiaries have been organized, Commodore International Limited, and Commodore S.A. The latter company being most important for its strategic location in the centre of the European market.

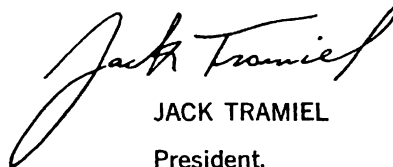
As part of our consolidation and re-organization program, we have decided to discontinue the present retail business in favour of our other endeavors calculated to contribute more to the future growth of our Company. Consequently, in the fiscal year under review, we have disposed of Humber Typewriter in Toronto, and the leased office machines departments in Macy's and Bamberger's, thus releasing funds required in our organization.

The balance of our operations is continuing to progress in a satisfactory manner. New items are being added to our steel office furniture line, manufactured in our Scarborough plant. The ever increasing acceptance of these products is most encouraging.

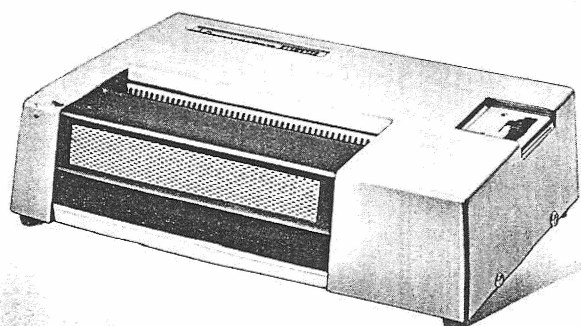
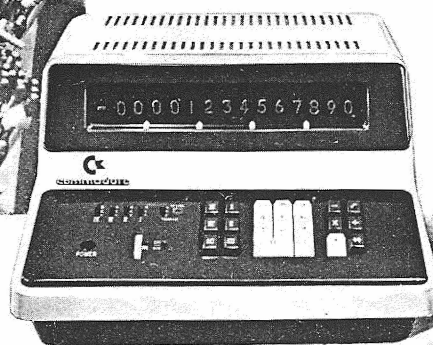
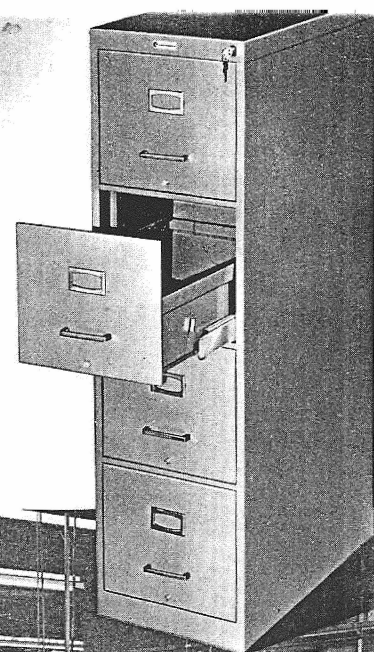
With our program progressing in accordance with our plans and objectives, we can look forward to a bright and profitable future with confidence.

On behalf of myself and my fellow Directors, I want to take this opportunity to express our appreciation to all our employees for their sustained efforts in helping us to achieve our goals; our suppliers for their help and co-operation, and particularly to all our customers throughout North America for their continued support and confidence in our organization.

On behalf of the Board of Directors,


JACK TRAMIEL
President.

October 12th, 1967.





COMMODORE BUSINESS
AND ITS WHOLLY-OWNED
(Incorporated under the laws of the State of New York)

CONSOLIDATED BALANCE SHEET
(With comparative figures for 1966)

ASSETS

CURRENT ASSETS

	1967	1966
Cash on Hand and on Deposit - - - - -	\$ 289,065	\$ 91,888
Accounts and Notes Receivable — Net - - - - - (Provision for Doubtful Accounts: 1967 \$27,523; 1966 \$30,124)	428,271	597,744
Discounts, Rebates and Deposits Receivable (3) - - - - -	58,820	275,711
Due from Directors, Officers and Employees - - - - -	24,926	13,490
Estimated Income Tax Refunds Receivable (8) - - - - -	311,451	365,170
Prepaid Expenses and Factory Supplies - - - - -	26,296	18,370
Cash Surrender Value — Life Insurance - - - - -	9,946	4,000
Merchandise Inventory (At Lower of Cost or Net Realizable Value) - - - - -	946,583	1,218,000
	<u>2,095,358</u>	<u>2,585,353</u>

INVESTMENTS AND ADVANCES

Investment in Other Corporations (2) - - - - -	1	
Notes Receivable — 8% — Due Within One Year After June 30, 1968 - - - - -	10,681	—
	<u>10,682</u>	<u>—</u>

FIXED ASSETS

Real Estate (11) - - - - -	146,367	146,367
Tools, Machinery and Equipment — Cost - - - - -	464,239	453,540
Dies and Moulds — Cost Less Amortization - - - - -	123,481	85,360
Automotive Equipment — Cost - - - - -	23,424	29,000
Leasehold Improvements — Cost Less Amortization - - - - -	13,847	13,100
	<u>771,358</u>	<u>728,247</u>
Less — Accumulated Depreciation - - - - -	359,832	295,590
	<u>411,526</u>	<u>432,657</u>

OTHER ASSETS

Manufacturing Rights, Development Expenses, Patents, Trademarks, Goodwill, etc. - - - - -	1	—
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TOTAL ASSETS - - - - - \$2,517,567 \$3,018,047

The notes on the following pages form an integral part of the
Balance Sheet and should be read in conjunction therewith.

HINES (CANADA) LIMITED
 A SUBSIDIARY COMPANIES⁽¹⁾
 of the Province of Ontario)

STATEMENT AS AT JUNE 30, 1967

(Figures for 1966)

LIABILITIES

CURRENT LIABILITIES

	1967	1966
Accounts and Notes Payable and Payments in Transit - - - - -	\$ 439,544	\$ 681,039
Sales Taxes and Employees' Deductions Payable - - - - -	15,913	13,620
Advances from Finance Companies — Secured (4) - - - - -	74,317	102,876
Loans Payable — Shareholders - - - - -	—	11,097
Mortgages and Liens Payable — Current Portion - - - - -	13,040	28,340
Provision for Income Taxes Payable - - - - -	14,209	—
	<u>557,023</u>	<u>836,972</u>

LONG TERM LIABILITIES

Mortgages and Liens Payable (5) - - - - -	75,016	71,240
TOTAL LIABILITIES - - - - -	<u><u>\$ 632,039</u></u>	<u><u>\$ 908,212</u></u>

SHAREHOLDERS' EQUITY

AUTHORIZED CAPITAL

Common Shares (6)
 3,000,000 Shares Without Par Value
 Preference Shares
 100,000 Redeemable, Convertible, 6% Cumulative Shares
 with a Par Value of \$10.00 Each

ISSUED CAPITAL

1,042,681 ⁷ / ₁₀ Common Shares Without Par Value - - - - -	\$1,352,892	\$1,352,892
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SURPLUS

Retained Earnings - - - - -	\$224,307	—	448,613
Contributed Surplus - - - - -	245,168	—	245,168
Appraisal Surplus — Land - - - - -	63,161	532,636	63,161

TOTAL SHAREHOLDERS' EQUITY	<u><u>\$1,885,528</u></u>	<u><u>\$2,109,834</u></u>
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$2,517,567</u></u>	<u><u>\$3,018,046</u></u>
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Contingent Liabilities: (9) (10)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

JACK TRAMIEL, *Director* MANFRED KAPP, *Director*



COMMODORE BUSINESS MACHINES (CANADA) LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

**STATEMENT OF CONSOLIDATED EARNINGS
AND RETAINED EARNINGS**

For the Year Ended June 30, 1967

(With comparative figures for 1966)

	1967	1966
REVENUES - - - - -	<u>\$4,029,172</u>	<u>\$6,389,366</u>
GROSS PROFIT - - - - -	<u>\$1,068,972</u>	<u>\$1,496,471</u>
EXPENDITURES		
Selling Expenses - - - - -	717,398	932,617
Managing Directors' Salaries - - - - -	55,000	79,359
Directors' Fees - - - - -	—	1,650
General and Administrative Expenses - - - - -	278,845	316,906
Depreciation Charges - - - - -	76,610	88,096
Financial Expenses - - - - -	34,042	225,936
Product Development Costs - - - - -	51,870	—
	<u>1,213,765</u>	<u>1,644,564</u>
NET PROFIT (LOSS) BEFORE INCOME TAXES AND NON-RECURRING GAINS AND LOSSES - - - - -	(144,793)	(148,093)
PROVISION FOR INCOME TAXES - - - - -	14,209	4,500
	(159,002)	(152,593)
Non-Recurring Gains (Losses) and Adjustments Related to Prior Years' Operations and Transactions (Net) - - - - -	(65,304)	668,305
Investment Income - - - - -	—	342,750
NET PROFIT (LOSS) - - - - -	(224,306)	858,462
RETAINED EARNINGS — as at July 1 (Opening) - - - - -	448,613	(442,993)
Transferred from Capital Surplus - - - - -	—	33,144
RETAINED EARNINGS — as at June 30 - - - - -	<u>\$ 224,307</u>	<u>\$ 448,613</u>

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES



STATEMENTS OF CONTRIBUTED AND APPRAISAL SURPLUS

For the Year Ended June 30, 1967

(With comparative figures for 1966)

	1967	1966
CONTRIBUTED SURPLUS		
BALANCE — as at June 30 - - - - -	\$ 245,168	\$ 245,168
APPRAISAL SURPLUS		
BALANCE — as at June 30 - - - - -	\$ 63,161	\$ 63,161
Excess of appraised value of land over cost as per appraisal made by M. Goldman Real Estate Limited on April 23, 1965.		

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended June 30, 1967

FUNDS WERE OBTAINED FROM:

Proceeds from Disposal of Fixed Assets - - - - -	\$ 4,725
Increase in Long Term Liabilities:	
Lien Note Due December 30, 1968 - - - - -	10,800
	<u>\$ 15,525</u>

FUNDS WERE EXPENDED DUE TO:

Loss on Operations for the Year Ended June 30, 1967 - - - - -	\$ 159,002	
Non-Recurring Losses and Adjustments Relating		
to Prior Years' Operations and Transactions (Net) - - - - -	65,304	
	<u>224,306</u>	
Less — Charges Against Operations Not Affecting Cash Outlay		
— Provision for Depreciation - - - - -	76,610	147,696
Additions to Fixed Assets - - - - -		60,209
Reductions in Long Term Liabilities - - - - -		7,024
Long Term Notes Receivable Received as Partial Consideration		
for Sale of Subsidiary on October 1, 1966 - - - - -		10,681
		<u>\$225,610</u>

WHICH RESULTED IN A REDUCTION IN WORKING CAPITAL OF —

\$210,085

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED BALANCE SHEET
as at June 30, 1967

- (1) The accounts of the following wholly-owned subsidiaries are included in the consolidated statements:

Associated Tool and Manufacturing Company Limited
and its wholly-owned subsidiary
Shelburne Tool Company Limited — Toronto, Ontario
Belpree Company Limited — Toronto, Ontario
Commodore Drycopy Limited — Toronto, Ontario
Commodore International Limited — Nassau, Bahamas
Commodore, S.A. — Geneva, Switzerland
Commodore Business Machines, Inc. — New York, N.Y.
Pearlsound Distributors Limited — Toronto, Ontario

On June 30, 1967, by statutory merger, Commodore Drycopy, Inc. of New York was absorbed by Commodore Business Machines, Inc.

The consolidated statements for 1967 do not include the accounts of Humber Typewriters and Business Equipment Limited which were included in the 1966 consolidated statements. This subsidiary was sold on October 1, 1966.

For the purpose of consolidation, the current assets and all liabilities of the foreign subsidiaries have been converted at the rate of exchange prevailing at the balance sheet date, and expenses and revenues at the average rate of exchange for the year. The fixed assets have been converted at the rate of exchange prevailing at the time of acquisition.

- (2) Investments in Other Corporations:

Commodore Industries Limited — Republic of Ireland

A non-operating, wholly-owned subsidiary, carried at the nominal value of \$1.00.

- (3) Discounts, Rebates and Deposits Receivable:

Discounts, Rebates and Deposits Receivable — Trade	- - - - -	\$ 8,820
Hold Back Receivable — as per an Agreement in 1966 between the company and the purchaser of one of the company's wholly-owned subsidiaries, an amount of \$250,000 was held back against contingencies, if any, arising out of the agreement of sale. This hold back was due on April 27, 1967. Subsequent to the due date, \$200,000 was paid. The past due balance of \$50,000 is believed to be collectible by the company's management	- - - - -	50,000
TOTAL	- - - - -	<u>\$58,820</u>

- (4) Advances from Finance Companies are Secured by the Assignment of Book Debts of a Subsidiary.

- (5) Mortgages and Liens Payable

Mortgage — Collaterally secured by a first charge against land and buildings owned by a subsidiary — interest @ 7½% — balance of principal is due on June 1, 1970	- - - - -	64,216
Lien Note — Secured by equipment purchased by a subsidiary in the preceding fiscal period	- - - - -	2,240
Lien Notes — Secured by tools, dies, designs, etc. purchased by the parent company during the fiscal year	- - - - -	21,600
TOTAL	- - - - -	<u>\$88,056</u>

(6) The following shares have been reserved:

- (a) For the exercise of share purchase warrants which entitle the holders thereof to purchase fully-paid, non-assessable common shares at the exercise price on or before the dates at which the warrants become void:—

<i>Series</i>	<i>Void After</i>	<i>Warrants Issued</i>	<i>Exercise Price</i>	<i>Warrants Outstanding</i>	<i>Shares Reserved</i>
"A"	Nov. 1, 1974	200,000	\$4.50	199,200	
"B"	May 1, 1975	120,000	5.50	120,000	
"C"	Apr. 1, 1976	120,000	5.50	<u>120,000</u>	439,200 sh.

- (b) For options granted to employees to purchase fully-paid and non-assessable common shares:—
At \$4.05 per share 1,875
At \$1.50 per share 95,000 96,875 sh.

TOTAL SHARES RESERVED - - - - 536,075

(7) The parent company has a tax loss carry forward in the amount of \$784,011 which may be used to reduce future taxation.

(8) Estimated income tax refunds claimed are subject to review and assessment by the various taxing authorities.

(9) **Contingent Liabilities**

- (a) One of the wholly-owned subsidiaries is contingently liable for letters of credit outstanding for merchandise ordered but not delivered as at balance sheet date. The total of such letters of credit was \$92,512.
- (b) The parent company and one of its subsidiaries were named as defendants in a law suit for alleged breach of contract, by Instrument Systems Corporation. This action is being disputed and a counter-claim has been filed.

(10) **Leases**

The company and its wholly-owned subsidiaries are liable under the terms of the leases on lands and premises as follows:

Lease expiring on April 30, 1984 at an annual rental of \$38,341. Lease commencing on October 1, 1967 and expiring on September 30, 1987, at an annual rental of \$26,500.

- (11) Included in the Real Estate is \$63,161, being the appraised value of Land over its Cost. This Appraisal was made on April 23rd, 1965 by M. Goldman Real Estate Limited.

AUDITORS' REPORT

To the Shareholders,
Commodore Business Machines (Canada) Limited,
Toronto, Ontario.

Dear Sirs:

We have examined the Consolidated Balance Sheet of Commodore Business Machines (Canada) Limited and its wholly-owned subsidiaries as at June 30, 1967, and the statements of consolidated earnings and retained earnings, contributed surplus and appraisal surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and related statements present fairly the financial position of Commodore Business Machines (Canada) Limited and its wholly-owned subsidiary companies as at June 30, 1967, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent, in all material respects, with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the company for the year ended June 30, 1967.

Respectfully submitted,

ROSE & HARRISON
Chartered Accountants

Toronto, October 2, 1967.



COMMODORE BUSINESS MACHINES (CANADA) LIMITED

946 Warden Avenue, Scarborough, Ontario

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